

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: O'Connell Analyst: Jeani Brent Bill Number: SB 1923

Related Bills: See Prior Analysis Telephone: 845-3410 Amended Date: 05/26/98

Attorney: Doug Bramhall

Sponsor:

SUBJECT: LAMBRA Tax Incentives/CSU Channel Islands Site Authority Act

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

☒ DEPARTMENT POSITION CHANGED TO No Position.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED/AMENDED _____ STILL APPLIES.

☒ OTHER - See comments below.

SUMMARY OF BILL

Under the Government Code, this bill would create the California State University, Channel Islands Site Authority Act. This bill also would provide that a business located in the site would be eligible for the tax benefits provided in the Revenue and Taxation Code provisions.

Under the Revenue and Taxation Code, this bill would provide that, for taxable and income years beginning on or after January 1, 1998, and before January 1, 2008, the California State University Channel Islands site would be deemed designated as a Local Agency Military Base Recovery Area (LAMBRA) and, for purposes of receiving the same tax benefits as a business located in a LAMBRA, each LAMBRA tax incentive available to businesses in LAMBRAs would be available for businesses located in the California State University Channel Islands site.

This bill also contains other provisions regarding the Channel Islands site that do not impact the Franchise Tax Board.

SUMMARY OF AMENDMENT

The May 26, 1998, amendments added a provision that taxpayers could claim the tax incentives only if (1) they are engaged in a trade or business within a designated Channel Islands site and (2) their primary line of business is other than retail sales, unless the retail sales component of the business is integrated with the CSU mission.

The May 12, 1998, amendments moved the provisions regarding the LAMBRA tax incentives from the Government Code to the Revenue and Taxation Code and specified dates of operation for those provisions. The amendments resolved the policy consideration discussed in the department's analysis of the bill as amended April 21, 1998.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input checked="" type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input type="checkbox"/> PENDING

Department/Legislative Director

Date

Johnnie Lou Rosas

6/17/98

Except for the Board position included below, the remainder of the department's analysis of the bill as amended April 21, 1998, still applies. In addition, the following implementation and technical considerations apply.

Implementation Consideration

This bill would exclude certain retail sales as a qualifying activity for the incentives. However, the bill does not provide a means by which the department could verify that taxpayers meet the criterion. According to discussions with the author's staff, the attached amendments would allow the author to include the specific Standard Industrial Classification Codes for which the incentives would not apply.

Technical Consideration

This bill provides that the site would be deemed designated as a LAMBRA and all LAMBRA tax incentives would apply for taxable and income years beginning on or after January 1 1998, and before January 1, 2008. However, the LAMBRA tax incentive statutes apply only through taxable or income years beginning before January 1, 2003. As discussed with the author's staff, the attached amendments would ensure that the tax incentives utilized by this bill would continue to exist for the Channel Islands site after the LAMBRA incentives expire. Also, the attached amendments would ensure that, if the LAMBRA tax incentives are amended subsequent to the enactment of this bill, the tax incentives for businesses located within the site would not change.

BOARD POSITION

No Position.

At its May 28, 1998, meeting the Franchise Tax Board considered this bill but took no position. Controller Kathleen Connell was neutral, Member Dean Andal was in support, and the representative from Department of Finance was absent.

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO SB 1923
As Amended May 26, 1998

AMENDMENT 1

On page 18, lines 27 through 40 and on page 19, lines 1 through 11,
modify Section 17049, as follows:

17049.(a) For taxable years beginning on or after January 1, 1999, and before January 1, 2008, a "site" as defined in subdivision (d) of Section 67472 of the Government Code is deemed to be designated as a local agency military base recovery area (LAMBRA) pursuant to Section 7114 of the Government Code, as that section read on January 1, 1999, for purposes of receiving, to the same degree and in the same manner as a business located within a LAMBRA, all of the following tax benefits:

~~(a)~~

(1) A hiring tax credit against personal income tax liability pursuant to Section 17053.46.

~~(b)~~

(2) A net operating loss carryforward pursuant to Section 17276.2.

~~(c)~~

(3) A business expense deduction for qualified property pursuant to Section 17268.

~~(d)~~

(4) A credit against personal income tax liability in an amount equal to the amount of sales or use tax paid on qualifying purchases pursuant to Section 17053.45.

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(b)(1) Except as provided in paragraph (2), a taxpayer may claim the benefits specified in paragraphs (1) through (4), inclusive, of subdivision (a) to (d), inclusive, if that taxpayer is engaged in a trade or business within the designated site pursuant to Section 67472 and the primary line of business is other than retail sales, unless the retail sales component of the business results from other business efforts that are integrated with the educational and research mission of the California State University.

(2) This section shall not apply to any taxpayer whose primary line of business is retail sales as described in Codes ____ to ____, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition.

(c) If a tax benefit otherwise would be allowable pursuant to paragraphs (1) through (4), inclusive, of subdivision (a) for any taxable year after Sections 17053.45, 17053.46, 17268, or 17276.2 have become inoperative or have been repealed, then, notwithstanding that the section has become inoperative or has been repealed, those sections shall be deemed to remain in existence solely for purposes of allowing the tax benefits provided under this section.

AMENDMENT 2

On page 19, lines 14 through 39, modify Section 23005, as follows:

23005.(a) For income years beginning on or after January 1, 1999, and before January 1, 2008, a "site" as defined in subdivision (d) of Section 67472 of the Government Code is deemed to be designated as a local agency military base recovery area (LAMBRA) pursuant to Section 7114 of the Government Code, as that section read on January 1, 1999, for purposes of receiving, to the same degree and in the same manner as a business located within a LAMBRA, all of the following tax benefits:

~~(a)~~

(1) A hiring tax credit against bank and corporation tax liability pursuant to Section 23646.

~~(b)~~

(2) A net operating loss carryforward pursuant to Section 24416.2.

~~(c)~~

(3) A business expense deduction for qualified property pursuant to Section 24356.8.

~~(d)~~

(4) A credit against bank and corporation tax liability in an amount equal to the amount of sales or use tax paid on qualifying purchases pursuant to Section 23645.

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(b)(1) Except as provided in paragraph (2), a taxpayer may claim the benefits specified in paragraphs (1) through (4), inclusive, of subdivisions (a) to (d), inclusive, if that taxpayer is engaged in a trade or business within the designated site pursuant to Section 67472 ~~and the primary line of business is other than retail sales, unless the retail sales component of the business results from other business efforts that are integrated with the educational and research mission of the California State University.~~

(2) This section shall not apply to any taxpayer whose primary line of business is retail sales as described in Codes ____ to ____, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget.

(c) If a tax benefit otherwise would be allowable pursuant to paragraphs (1) through (4), inclusive, of subdivision (a) for any income year after Sections 23645, 23646, 24356.8, or 24416.2 have become inoperative or have been repealed, then, notwithstanding that the section has become inoperative or has been repealed, those sections shall be deemed to remain in existence solely for purposes of allowing the tax benefits provided under this section.